Annual Report 1959

JEWEL TEA CO., INC.

Results in Brief

	52 WEEKS ENDED JAN. 2, 1960	53 WEEKS ENDED JAN. 3, 1959
Retail Sales:		
Retail Food Stores	$386,382,237	$367,771,632
Home Service Routes	74,206,479	76,041,392
Total	$460,588,716	$443,813,024
Earnings:		
Before federal income taxes	$ 17,658,609	$ 16,142,491
Net for the year	8,558,609	7,808,491
Per cent to sales and revenues	1.8%	1.7%
Reinvested in the business	$ 5,610,153	$ 4,361,691
Earned per share of common stock*	$ 2.70	$ 2.51
Cash dividends paid per share of common stock*	1.20	1.00
New property, plant and equipment (net)	$ 7,791,395	$ 11,091,251
Depreciation provision	5,301,127	4,595,890
	Jan. 2, 1960	Jan. 3, 1959
Net working capital	$ 40,024,425	$ 34,680,629
Ratio of current assets to current liabilities	2.4 to 1	2.1 to 1
Operating Units:		
Number of Retail Food Stores	274	253
Square feet of floor space	3,097,798	2,656,127
Number of Home Service Routes	1,879	1,928
Stockholders	8,693	7,817
Common shares outstanding*	3,084,706	3,027,022
Preferred shares outstanding	57,479	58,029
Employees	9,653	9,595

*Adjusted for 2-for-1 stock split declared December 3, 1958, and issued as of February 13, 1959.

Annual Meeting **The Annual Meeting of stockholders will be held at 12:00 noon on Tuesday, March 29, 1960 at the Congress Hotel in Chicago, Illinois.**

Management's Report

To Jewel Stockholders, Jewel People and Other Friends:

February 10, 1960

This report, covering our 61st year, describes Jewel's results for the 52 weeks ended January 2, 1960, which were again at record levels. Comparisons with the previous year are summarized on the opposite page.

For 1959, retail sales totaled $460,588,716, a gain of 3.8% from the previous year, or 5.8% on a weekly average basis since the prior year included 53 weeks. Earnings rose 9.6% to $8,558,609. Earnings per share of common stock were $2.70 compared with $2.51 for 1958.

A marked recovery in general business activity occurred in 1959 from the 1958 recession. Disposable personal income increased by 5.7%. Sales of all United States food stores, however, lagged behind the rise in income, showing a gain of 2.9% for the year. Food prices in retail stores averaged 2.4% below a year ago. The decline in prices, while affecting the total dollar volume of food sales this past year, strengthened the competitive position of food products for the future. During 1960, we anticipate that food will continue to be a bargain in comparison to other outlets for consumer purchases. Food prices will likely stabilize during the year and average about the same as in 1959.

The narrowing of year-to-year gains in food store sales in 1959 was most noticeable in the latter part of the year, as consumer income leveled out due to the steel strike. Jewel's Home Service Route sales lagged in the latter part of the year as the steel strike reduced industrial activity and the income of route customers in a number of major metropolitan areas of the country. However, weekly sales per route were above a year ago.

The past year for Jewel was one of developments in additional facilities and merchandising experiments which are preparing us for the competitive growth we expect in the decade before us, as discussed in the section which follows on *Better Living for the Nineteen-Sixties Through Added Values*. In that section we also discuss steps being taken to encourage Jewel people to initiate further positive action to serve our customers better. The finest facilities, low prices and the best merchandise do not automatically win customer loyalty. The attitude of employees in approaching their work with a real interest in the customer and the values she receives has been a highly significant factor in the growth of Jewel's business. We believe it will be equally important in the future.

We closed the year with our finances in very satisfactory condition. As noted in the accompanying table, the common stock equity has been built up substantially in recent years, primarily through the retention of earnings. There is also an additional $5,000,000 available at a maximum interest cost of 4¾% under our term bank loan agreement. No other external financing is now contemplated.

Jewel has always considered that its own efforts are as significant in producing results as is the general business climate. We believe the expansion and improvement of our facilities undertaken in the past several years and still under way, plus continuous experimental research, place us in a strong position to continue to satisfy customer demands for better living and low prices in the decade ahead. We are also confident that Jewel employees will meet the challenges of the Nineteen-Sixties just as they have met the challenges of the past.

G. L. Clements
President

FOR THE BOARD OF DIRECTORS

F. J. Lunding
Chairman

Financial Summary of the Nineteen-Fifties

(in thousands of dollars, except per share figures)

	1959	1958*
Retail sales	$460,589	$443,813
Earnings:		
Before Federal income tax	$ 17,659	$ 16,142
Net for the year	8,559	7,808
Earnings per common share§	2.70	2.51
Dividends per common share§	1.20	1.00
Retained earnings	$ 5,610	$ 4,362
Depreciation	5,301	4,596
Capital expenditures (net)	$ 7,791	$ 11,091
Net current assets	$ 40,024	$ 34,681
Total assets	109,333	103,989
Long term debt	$ 16,768	$ 17,085
Preferred stock	5,748	5,803
Common stockholders' equity	56,184	48,577
Equity per common share§	18.21	16.05
Number of common shares outstanding	3,084,706	3,027,022

HOW A STOCKHOLDER FARED IN THE 1950's

	Shares	Dollar Investment
Purchase, January 3, 1950	100	$ 5,637.50
2-for-1 split, 1953	100	
1-for-8 rights offering, 1953	25	837.50
2% stock dividend, 1958	4	
2-for-1 split, 1959	229	
Cost, December 31, 1959	458	$ 6,475.00
Market value, December 31, 1959	458	$21,297.00
Cash dividends		4,202.00
Total		$25,499.00

1957	1956	1955	1954	1953	1952*	1951	1950
$414,466	$385,553	$348,215	$314,162	$275,785	$255,227	$236,644	$212,463
$ 14,256	$ 12,769	$ 11,008	$ 9,233	$ 7,179	$ 6,689	$ 7,171	$ 8,761
6,961	6,340	5,383	4,710	3,601	3,409	3,822	4,643
2.26	2.07	1.76	1.53	1.19	1.21	1.37	1.69
.98	.98	.98	.88	.87	.86	.86	.78
$ 3,146	$ 3,438	$ 2,515	$ 2,102	$ 1,097	$ 1,132	$ 1,546	$ 2,530
4,216	3,511	3,423	2,919	2,348	2,314	2,166	1,869
$ 6,536	$ 7,576	$ 4,480	$ 8,924	$ 4,624	$ 1,951	$ 3,974	$ 2,480
$ 30,985	$ 29,763	$ 30,147	$ 24,095	$ 28,307	$ 25,211	$ 24,020	$ 16,489
90,496	86,659	77,114	69,012	63,532	55,026	54,643	46,468
$ 12,620	$ 13,154	$ 13,165	$ 8,686	$ 8,978	$ 9,030	$ 9,020	$ 1,052
5,832	5,904	6,595	6,745	6,765	6,994	7,049	7,344
43,038	39,112	34,875	32,164	29,935	24,102	22,904	21,286
14.42	13.25	11.96	11.07	10.66	9.28	8.83	8.22
2,984,359	2,950,756	2,916,435	2,905,064	2,807,634	2,598,581	2,594,529	2,589,552

*53-week year; other years 52 weeks.
§Adjusted for 2-for-1 stock splitups in 1953 and 1959, and 2% stock dividend paid in 1958.
Years 1951 and 1952 were affected by Government restrictions during the Korean conflict.

Better Living for the Nineteen-Sixties, Through Added Values

Growth in Jewel Facilities

This past year substantial progress was made in adding to the foundation for sharing in the growth opportunities that the Nineteen-Sixties promise. We opened 32 new supermarkets, while closing 11 outmoded stores, bringing the number in operation to 274 at the end of the year. For the last four-week accounting period of the year, 95% of sales volume in our Food Stores was from units constructed since the end of World War II and 78% was from units built since 1952, when Korean War restrictions were removed. We expect to open a minimum of 20 new supermarkets in 1960.

In our Home Service Routes operation we continued our program of relocating and developing routes in metropolitan residential communities and discontinuing operations in more sparsely settled and below-average income areas. There were 53 routes closed or sold and 19 new routes were started. Also, toward the end of the year approximately 70 routes in California were purchased for cash and these are not counted in the year-end total of routes in operation. It is expected that they will be consolidated into approximately 45 new Jewel routes.

Plant additions this past year included the completion of a 157,000 square foot addition to our Barrington, Illinois plant for Home Service Routes general merchandise warehousing activities. This released space needed for the manufacture of additional items such as jams, jellies and preserves. We also began the manufacture of aroma-added instant coffee with an exclusive Jewel process developed in our research laboratory for which application for patent has been filed.

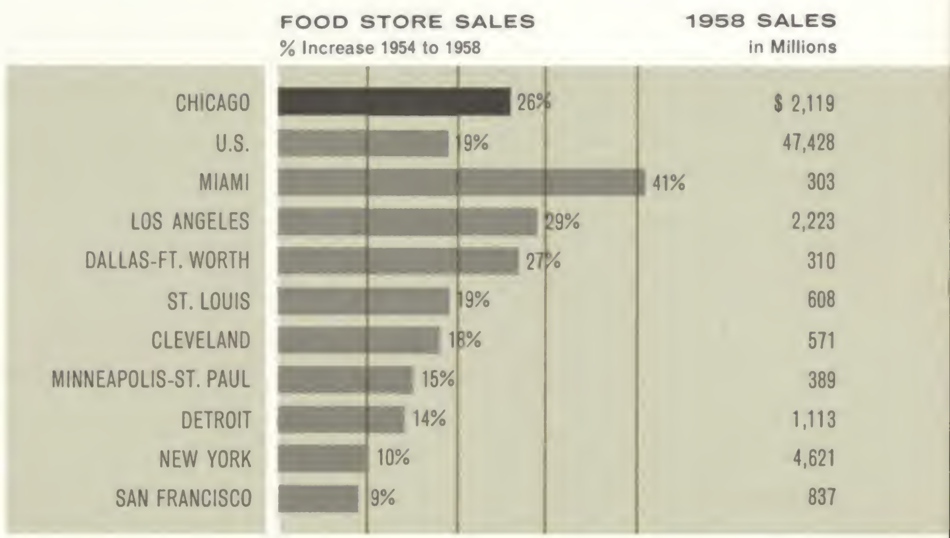
At the Melrose Park, Illinois plant site, we have plans for an addition of approximately 120,000 square feet to existing baking facilities. In this addition, we will produce high quality pastries, specialty breads and cakes to supplement our bakeries at Champaign and Springfield, Illinois and the pastry shops operated in our stores by outside bakers. Our present baking facilities at Melrose Park are for the production of bread, doughnuts and hamburger and hot dog rolls. These have worked out very satisfactorily from the standpoint of producing bread products at a substantial saving for customers and additional profit for Jewel.

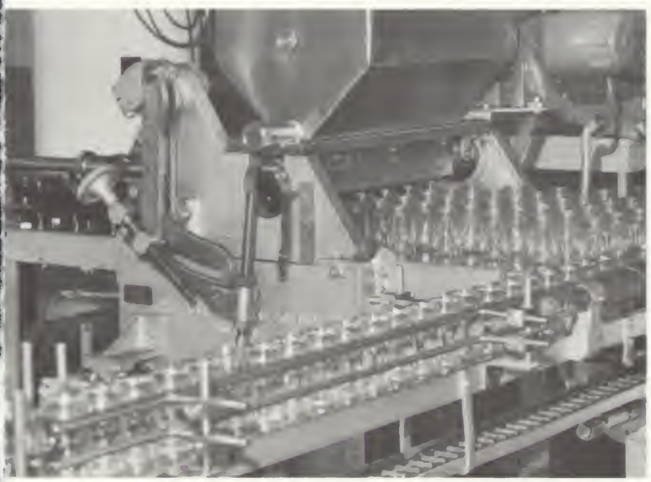
Looking forward to the Nineteen-Sixties, we have installed a Remington Rand Univac Model I File Computer, pictured below. It is used to expedite warehousing operations at the Melrose Park Distribution Center by arranging and sorting items ordered by stores for most efficient handling in the warehouse. In addition, it handles invoice billing and provides quick and accurate weight and dimension information for truck dispatchers as well as inventory and shipment data for buyers. We are also studying the possible savings from still further mechanization of payroll record handling and supplementary payroll reports now required by various government agencies.

The Chicago Area—Diversified Growth Ahead For The Nineteen-Sixties

Approximately three-fourths of our sales are derived from the Chicago-Gary-Hammond Metropolitan Market. This is composed of Cook, DuPage, Kane, Lake, McHenry and Will counties in Illinois and Lake and Porter counties in Indiana. This Area's development, founded on its location as the nation's focal point for transportation by land, water and air, has made it truly the heart of industrial America. It is a significant contributor to 15 of the nation's 20 basic industries, and in 10 of these it ranks either first or second among the nation's metropolitan areas. The eight largest industries in the country are also the eight largest in the Chicago-Gary-Hammond Area, though the order differs slightly. Further, the Chicago-Gary-Hammond Area is highly diversified. Only 13% of manufacturing employees work in its leading industry, general machinery, which itself is highly diversified.

Recently released preliminary statistics from the 1958 Census of Business, together with final statistics from the 1954 Census of Business, indicate that the Chicago-Gary-Hammond Area has shown a favorable growth trend in food store sales in comparison with many other metropolitan areas. Comparable figures available for the other metropolitan areas within our present operating territory reveal similar encouraging trends in total—including Kenosha in Wisconsin and Champaign-Urbana, Decatur, Peoria, Springfield and Rockford in Illinois. Annual food store sales in these latter six Areas totaled $274 million, were 11.5% greater than sales for the Denver Metropolitan Area, for example, and showed a larger growth since the last Census in 1954. We believe that our present operating areas will share fully in the growth of the United States in the decade of the sixties.





Geared to high speed production, new preserves manufacturing equipment produces 34,000 sales units per 8-hour shift

New Supermarkets

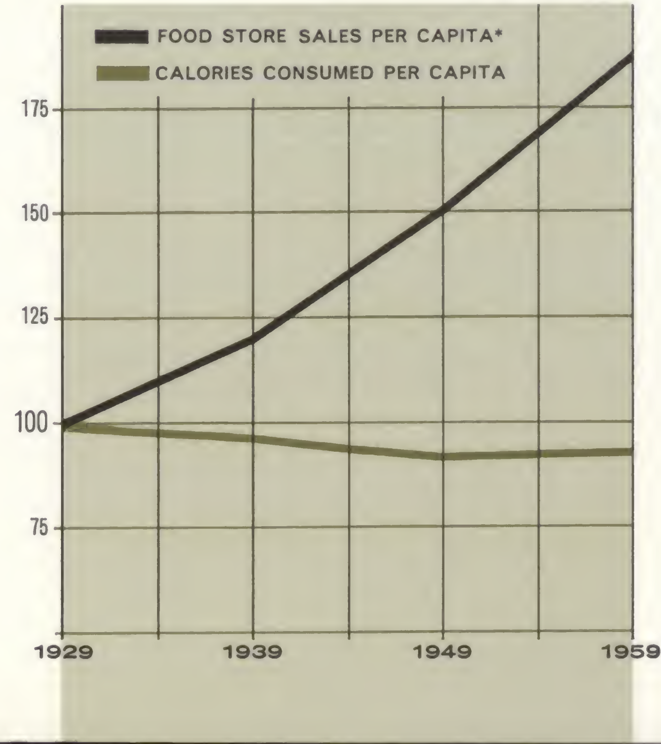
We are following very closely factors that may influence population movements to the suburbs in the years ahead and have made contacts with the principals in every major shopping development in our areas looking to the possibility of locating new stores in them if satisfactory agreements can be negotiated. We are also exerting every effort to obtain land suitable for up-to-date supermarkets with parking lots in built-up areas of Chicago. Our experience shows that such developments meet a ready response from customers. In 1959, we opened five such stores in districts where substantial redevelopment is under way, and we anticipate that there will be several more in 1960.

It is our conviction that supermarkets should be in locations which are handy for customers to reach by automobile and should be designed to fit local requirements and needs, some individual units and others in shopping centers. A number of the latter, along with many individual units, are being developed by Jewel. These Jewel multiple store developments include from one to ten stores operated by others as Jewel tenants who provide non-food merchandise and services. We have now completed 3 such centers, 6 others are in various stages of construction (including some with the Jewel supermarket already operating), 4 others have been approved for development and 5 others are in the preliminary planning stage. All told, these developments should involve 72 or more stores which will be leased to others. We also have plans in three locations to make space available for a drug store to operate under the same roof with our food store.

Growing Income Highlights Quality and Service For The Nineteen-Sixties

It has been estimated that disposable personal income of the nation can be expected to reach $500 billion or more by 1970, compared with approximately $335 billion this past year. Average income per household will likely exceed $9,500 compared with today's $7,400. This prospective rise in income for our customers offers us an opportunity to increase our business. It means that consumers will have a growing amount of income above amounts needed to provide a minimum of necessities. Our activities will therefore be keyed to providing more products and services at low prices to our customers as an outlet for their rapidly rising discretionary income.

Retail sales of food stores have grown substantially in the past thirty years, actually outdistancing the growth of income. However, this has not occurred because people are eating more, as is brought out in the accompanying chart. Food consumption per person, in terms of calories, has been declining in the past 30 years. But spending on food has been rising on a per capita basis as income has risen. More people are enjoying the tastier and more highly desired foods associated with higher incomes—typified by processed items and meat, especially beef. Beef consumption per capita has risen by almost 50% since before World War II, and a further large expansion in beef consumption appears in prospect for the years immediately before us.



INDEX OF FOOD STORE SALES* AND CALORIES CONSUMED PER CAPITA 1929=100

*In dollars of constant purchasing power

Customers are also buying more services that provide convenience, easier living and greater variety. The customer can buy lettuce, for example, which is always available and conveniently wrapped in transparent film. She can depend on it being fresh when she arrives home. Lettuce consumption per person is 50% greater than prewar. There have been large increases in the consumption of canned fruits and vegetables and especially of frozen fruits and vegetables. In addition to ease of preparation, these products give the homemaker flexibility in meal planning; they don't have to be used or eaten at a particular time. Other items which offer convenience and perform a service in reducing work in the kitchen show similar large increases. Chicken—cleaned, cut up and ready to put in the frying pan—is an outstanding example. Consumption of broilers and fryers has grown about 27 times, from 200 million pounds a year prewar to over 5½ billion pounds last year.

Today, each food product is composed of two parts—the food value itself on the one hand, and the services built into the product on the other. The latter include services such as transportation, preserving, precooking, storing, trimming, packaging and getting the product to the customers in the ways they demand—including well-lighted air-conditioned stores, with extensive refrigerated storage and display cases, wide aisles, power operated checkout counters, electric-eye doors and lighted parking lots.

Added Service Value Earns Growing Share of Food Dollar

Consumer demand for these added service values in food products is evident in the growing proportion of the food dollar that is devoted to value added as compared with the value of the food itself. It has been calculated by statisticians, for example, that added value rose from about 42% of total food expenditure in 1929 to approximately 55% by 1954, and it is believed to be even higher today.[1] The same study indicated that demand for added values increases at least as rapidly as income and probably somewhat more. Jewel is in the business of satisfying at low prices this increasing demand for services in addition to providing what people actually eat.

The clear lesson of this demand for added value is that customers will spend in food stores a large portion of their rising discretionary income for products and services which reduce the everyday chores of buying, preparing and cooking food, thereby achieving better living at low prices.

[1]Calculated from data presented by E. W. Bunkers and Willard W. Cochrane, "On The Income Elasticity of Food Services," *The Review of Economics and Statistics*, May 1957.

Experimenting For The Future

Jewel has always keyed its store operations to offering better perishable products—fresh fruits and vegetables, dairy products, and especially meats, where we were the first to pioneer new standards of cutting and trimming meat of excess fat and bone under our Extra Value Trim method. Anticipating that demand for improved perishable products will accelerate in the future, we are now engaged in a number of experiments looking toward providing customers with further improved products and services at low supermarket prices. In our report last year, we mentioned Sausage Shops, Cooked Foods and Fresh Pastry Departments which had been introduced into a limited number of stores. At the beginning of 1960, we had Sausage Shops in 63 stores, Cooked Foods Departments in 15, and Fresh Pastry Departments in 67. The latter are operated on a self-service basis, which offers substantial operating economies compared with service-type bakeries. These have been developed in part in collaboration with local bakers, but as indicated earlier these local bakers have not been able to provide sufficient supplies of quality pastry products to meet the demands of our customers and we are planning to provide for part of our additional needs with our own bakeries.

In one store we are experimenting with the sale of frozen pastries, prepared in our Springfield, Illinois bakery. Customer response so far has been favorable. This method of handling pastry products, if it proves successful, will make it possible to realize substantial economies by leveling production through building inventories early in the week to meet peak weekend needs and will provide at all times a better and fresher product for the customer at lower cost.

In two other stores we are experimenting with a line of meat products we have called "Chef Cut." These are from our regular line of quality meats, but incorporate additional services performed by our trained meat craftsmen, making these products even easier to prepare and carve. Suggestions are also offered on how meat cuts may be prepared and served to make a most satisfying meal.

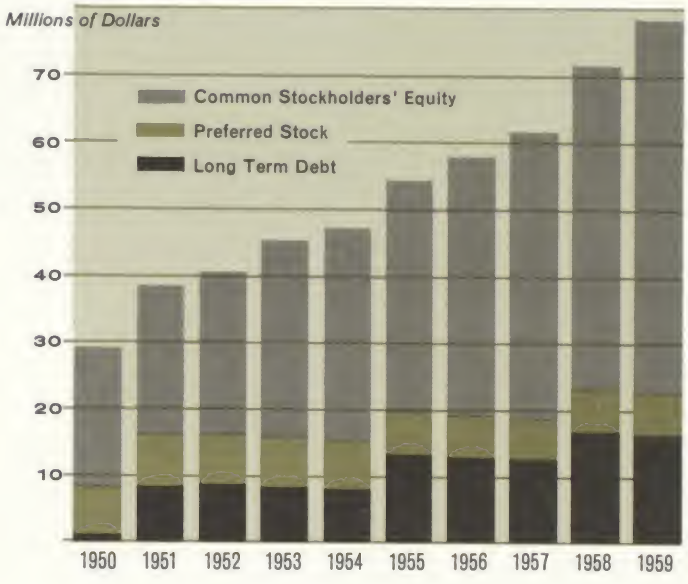
We are also continuing to add to the variety of items available in our supermarkets, so that managers can adjust their offerings to the demands of local neighborhoods. These include diet foods, nationality foods, foods for special occasions, and convenience health and beauty aids and kitchen tools.

Home Service Route Offerings Adapted to Rising Income

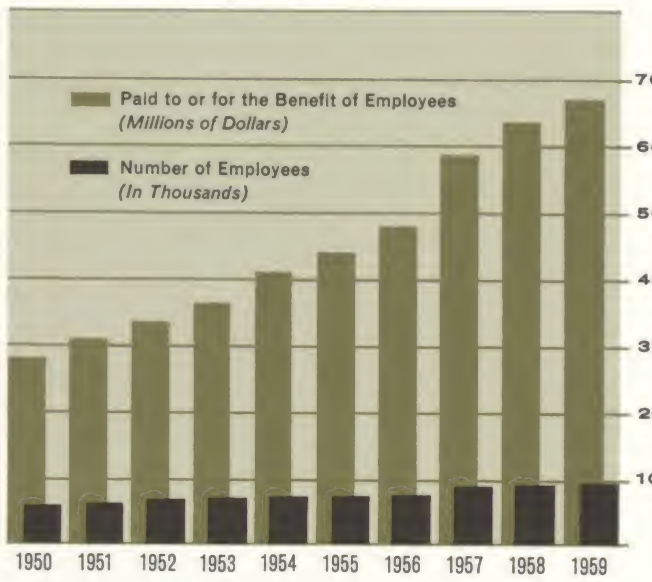
In our Home Service Routes, the rising trend of income, our relocation of routes to metropolitan areas and the growing demand for service have caused us to alter the variety of items offered to customers. In general, this has involved a shift toward specialty products which offer a distinctive service to customers. General merchandise lines accounted for 47% of Home Service Routes sales in 1959, almost double 1950, while during the same period coffee sales declined from 34% to 14%. General merchandise offered to our customers now include men's, women's and children's clothing; small appliances and housewares; laundry, kitchen equipment and furnishings; tableware and dinnerware; toys, gifts, watches and cameras; bedspreads, rugs, curtains and a line of items for suburban outdoor living. We are also adding to the amount of distinctive private label general merchandise, including the Mary Dunbar label for a growing line of small electrical appliances and the Debbie Dunbar line of children's clothing. The balance of Route sales consists of household products, such as baking mixes and other baking products, cookies and candies, paper products, laundry and cleaning products, toilet soaps, cosmetics and health aids. Many of these latter products are manufactured at our Barrington, Illinois plant.

We are currently testing the possibility of enlarging our route credit business to meet a rising demand for credit. These tests include the liberalization of our own revolving credit accounts and arrangements under which banks perform the credit screening function and carry the receivables.

INVESTED CAPITAL



EMPLOYMENT AND PAYROLLS*



Includes Elsner Stores Beginning in 1957

Organizing to Meet Changing Demands in The Nineteen-Sixties

It is our responsibility in the decade ahead to meet customer demands for higher quality, greater variety and better prepared foods, together with more services, more convenience and greater values. To do this from an operating standpoint we have realigned our store operating organization to give more authority and responsibility to store managers so that they may meet local competitive conditions and the needs of their respective communities. Staff specialists are available under the new organization to assist the managers in carrying out their new responsibilities.

Accountants Report

TOUCHE, ROSS, BAILEY & SMART
CERTIFIED PUBLIC ACCOUNTANTS

208 SOUTH LA SALLE STREET
CHICAGO 4, ILL.

February 8, 1960

The Board of Directors
JEWEL TEA CO., INC.:

We have examined the accompanying balance sheet of Jewel Tea Co., Inc., as of January 2, 1960, and the related statements of income and accumulated earnings, common stock and source and use of funds for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Jewel Tea Co., Inc., at January 2, 1960, and the results of its operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Ross, Bailey & Smart
Certified Public Accountants

Income Account and Accumulated Earnings

UNAPPROPRIATED

	52 WEEKS ENDED JAN. 2, 1960	53 WEEKS ENDED JAN. 3, 1959
Sales and Revenues:		
Retail sales	$460,588,716	$443,813,024
Other sales and revenues	2,322,329	2,840,182
Total sales and revenues	462,911,045	446,653,206
Cost of Doing Business:		
Payrolls including social security taxes	64,223,439	61,045,155
Provision for Jewel Retirement Estates	2,912,080	2,706,999
Total payments to or for benefit of employees	67,135,519	63,752,154
Products, materials and services	362,086,964	353,089,435
Depreciation and amortization	5,301,127	4,595,890
Rents	4,598,592	3,879,990
Maintenance and repairs	2,216,175	1,614,892
Provision for doubtful accounts	782,148	845,455
Interest on indebtedness	619,307	469,194
Federal income taxes	9,100,000	8,334,000
State, local and all other federal taxes (exclusive of the collection and payment of sales taxes totaling $13,311,271 in 1959 and $11,750,478 in 1958)	2,512,604	2,263,705
Total cost of doing business	454,352,436	438,844,715
Net Earnings for the Year	8,558,609	7,808,491
Accumulated Earnings—Unappropriated Beginning of Year	31,265,323	26,903,632
	39,823,932	34,712,123
Deduct:		
Cash dividends declared:		
Preferred stock	161,994	272,550
Common stock	2,786,462	3,174,250
Appropriation for 2-for-1 stock split issued February 13, 1959	1,536,061	—
	4,484,517	3,446,800
Accumulated Earnings—Unappropriated End of Year	$ 35,339,415	$ 31,265,323

See accompanying notes to financial statements.

Balance Sheet

ASSETS

	Jan. 2, 1960	Jan. 3, 1959
Current Assets:		
Cash	$ 14,669,768	$ 14,311,501
Marketable securities—lower of cost or market	7,210,772	7,812,169
Accounts receivable, less allowances	9,707,328	9,536,123
Inventories at lower of first-in first-out cost or market except green coffee cost ($1,435,285 at January 2, 1960), determined under the last-in first-out method	32,902,892	29,927,053
Temporary investment in retail store properties	2,955,725	3,212,228
Prepaid expenses and supplies	1,481,533	1,331,726
Total current assets	68,928,018	66,130,800
Deferred Charge—		
Premiums Advanced to Customers	1,491,190	1,503,757
Other Investments	1,165,703	1,096,522
Property, Plant and Equipment (at cost):		
Buildings	12,042,234	11,882,739
Equipment and leasehold improvements	50,301,414	44,101,570
	62,343,648	55,984,309
Less allowance for depreciation and amortization	26,256,854	22,407,867
	36,086,794	33,576,442
Land	1,661,716	1,681,800
Total property, plant and equipment	37,748,510	35,258,242
Goodwill	1	1
	$109,333,422	$103,989,322

LIABILITIES

	Jan. 2, 1960	Jan. 3, 1959
Current Liabilities:		
Accounts payable and accrued expenses	$ 14,653,913	$ 16,227,647
Dividends payable	53,887	1,016,911
Accrued federal, state and local taxes	8,622,621	8,434,476
Accrued payrolls and profit sharing	5,496,522	5,477,290
Long term indebtedness due within one year	76,650	293,847
Total current liabilities	28,903,593	31,450,171
Long Term Indebtedness, less due within one year	16,768,424	17,085,074
Deferred Federal Income Taxes	1,730,000	1,074,000
Stockholders' Investment:		
Preferred stock—3¾% cumulative $100 par value—authorized and issued 58,500 shares at January 2, 1960	5,850,000	5,850,000
Common stock—$1 par value—authorized 7,500,000 shares; outstanding 3,084,706 shares at January 2, 1960	19,577,627	16,055,567
Accumulated earnings—reserved for self-insured losses and general contingencies	1,250,000	1,250,000
Accumulated earnings—unappropriated	35,339,415	31,265,323
Preferred stock in treasury, at cost	(85,637)	(40,813)
Total stockholders' investment	61,931,405	54,380,077
	$109,333,422	$103,989,322

See accompanying notes to financial statements.

Common Stock Account

Balance, January 3, 1959 (3,027,022 shares after 2-for-1 stock split)	$16,055,567
Appropriation from Accumulated Earnings—Unappropriated of $1 par value per share in connection with the 2-for-1 stock split issued February 13, 1959	1,536,061
Issued to profit-sharing trusts (24,000 shares)	1,054,500
Issued to employees under terms of stock purchase plan (6,534 shares)	245,553
Stock options exercised (27,150 shares)	685,946
Balance, January 2, 1960 (3,084,706 shares)	$19,577,627

Source and Use of Funds Fifty Two Weeks Ended January 2, 1960

Source of Funds:	
Net earnings for the year	$ 8,558,609
Provision for depreciation and amortization	5,301,127
Sale of common stock	1,985,999
Decrease in other net assets not enumerated	77,183
	$15,922,918
Use of Funds:	
New property, plant and equipment (net)	$ 7,791,395
Increase in inventories	2,975,839
Decrease in current and tax liabilities (net)	1,890,578
Dividends to owners of the business	2,948,456
Decrease in long term indebtedness	316,650
	$15,922,918

See accompanying notes to financial statements.

Notes to Financial Statements

OTHER INVESTMENTS

Equity in capital stock of and advances to Eisner Realty Corporation, an unconsolidated wholly-owned subsidiary, aggregated $687,393 at January 2, 1960, and are included in Other Investments. Also included are investments in affiliated real estate corporations, carried at a cost of $472,250 at that date.

LONG TERM INDEBTEDNESS

In 1958, the Company entered into a credit agreement with a group of its principal banks under which it can borrow an amount not to exceed $10,000,000 in exchange for ninety-day notes, at a rate per annum equal to the prime commercial rate of the Chase Manhattan Bank on the date of borrowing (minimum rate 3¼%; maximum rate 4¾%).

Until November 1, 1960, the principal amount of these notes may be converted, in whole or in part, into a six-year term loan at the Company's option. Ninety-day notes outstanding under this agreement at January 2, 1960 aggregated $5,000,000.

Other principal unsecured loans include the following:

	Rate	Total Outstanding	Due in 1960	Final Maturity
Insurance Companies.......	2.85%	$5,000,000	—	1971
Insurance Companies.......	3.75	4,130,400	—	1978
Banks.....................	2.75	1,560,000	—	1961
Insurance Company.........	4⅛	650,500	$57,000	1971

PREFERRED STOCK IN TREASURY

Under the sinking fund provisions relating to the preferred stock, the Company must acquire annually on or before each June 30th at least 1,500 shares. On January 2, 1960, the Company had acquired and retired its sinking fund commitments through June 30, 1960, and there were 1,021 shares of preferred stock in the treasury valued at the acquisition cost of $85,637, which are available for the 1961 sinking fund requirements.

COMMON STOCK AND RESTRICTED STOCK OPTION PLAN

At the 1959 Annual Meeting of Stockholders, the number of authorized shares of common stock was increased to 7,500,000 shares, an additional 138,000 shares of common stock were reserved for issuance to retirement trusts, and an additional 50,000 shares of common stock were made available for restricted stock options under the plan adopted in 1956. At January 2, 1960, there were 353,833 shares of common stock reserved, of which 33,583 shares were for employee stock purchase plan purposes, 150,000 shares were for issuance to profit-sharing trusts and 170,250 shares were for stock options described more fully below:

	Number of Shares		
	Reserved	Granted	Available
Balance, January 3, 1959.................	147,400	136,700	10,700
Increase in shares available..............	50,000		
Granted during year.....................		10,000	
Exercised during year at an aggregate price of $685,946......................	(27,150)	(27,150)	
Cancelled during year....................		(2,550)	
Balance, January 2, 1960.................	170,250	117,000	53,250
Options exercisable at January 2, 1960.....		57,650	

Outstanding options at January 2, 1960, were granted at prices ranging from $23.06 to $44.18 per share, representing 95% of the closing market price on the respective dates of grant. Options may be exercised to the extent of 25% one year after granted and an additional 25% becomes exercisable on each of the next three anniversaries of the date of grant. All must be exercised not later than 10 years after date of grant.

ACCUMULATED EARNINGS (UNAPPROPRIATED)

Under the terms of note agreements with insurance companies and the preferred stock provisions of the certificate of incorporation (the terms of the note agreements governing) $25,235,346 is not restricted as of January 2, 1960, for cash dividends on common stock.

LONG TERM LEASES

Nearly all retail food stores and home service office-warehouse properties are under lease. A majority of lease commitments are for 10 years or less and the remainder, for the most part, cover periods up to 20 years. The annual minimum commitments for leases expiring beyond five years total approximately $3,600,000. Rentals for leased properties in 1959 included $984,843 paid to an unconsolidated wholly-owned subsidiary and other affiliates.

BOARD OF DIRECTORS

JAMES L. ALLEN
Senior Partner,
Booz, Allen & Hamilton

W. A. GERBOSI
Independent Business Consultant

E. A. MILLER
Vice President, Jewel Tea Co., Inc.

G. L. CLEMENTS
President, Jewel Tea Co., Inc.

E. E. HARGRAVE
Vice President, Jewel Tea Co., Inc.

S. R. MILLER
Partner, Goldman, Sachs & Co.

A. EISNER, JR.
Administrative Adviser of Operations,
Eisner Food Stores Division

A. V. JANNOTTA
Independent Business Consultant

M. S. MORSE
Vice President, Jewel Tea Co., Inc.

J. W. EVERS
President,
Commonwealth Edison Company
(until November, 1959)

F. J. LUNDING
Chairman, Board of Directors, and
Chief Executive Officer,
Jewel Tea Co., Inc.

F. L. SPREYER
Vice President, Jewel Tea Co., Inc.

J. M. FRIEDLANDER
Chairman, Finance Committee,
Jewel Tea Co., Inc.

E. H. McDERMOTT
Senior Partner,
McDermott, Will & Emery

H. J. SZOLD
Partner, Lehman Brothers

H. S. BOWERS
Director Emeritus

OFFICERS

F. J. LUNDING
Chairman, Board of Directors and
Chief Executive Officer

G. L. CLEMENTS
President

J. M. FRIEDLANDER
Chairman, Finance Committee

H. R. RASMUSSEN
Vice Pres., Stores Merchandising

W. W. TONGUE
Economist

J. A. BREWER
Vice Pres., Store Operations

L. D. SMITH
Vice Pres., Stores Mfg.,
Warehousing & Transportation

H. O. WAGNER
Controller

E. E. HARGRAVE
Vice Pres., Administration

F. L. SPREYER
Vice Pres., General Manager Routes

R. W. WILLIAMSON
General Counsel
and Secretary

E. A. MILLER
Vice Pres., Marketing

R. D. STURTEVANT
Vice Pres., Real Estate and
Construction

E. T. VORBECK
General Attorney and
Assistant Secretary

M. S. MORSE
Vice Pres., Stores Planning
and Development

H. G. HOMUTH
Treasurer

PRINCIPAL LOCATIONS

CHAIRMAN, BOARD OF DIRECTORS AND CHAIRMAN, FINANCE COMMITTEE	*135 South La Salle Street, Chicago 3, Illinois*
PRESIDENT AND EXECUTIVE	*1955 West North Avenue, Melrose Park, Illinois*
JEWEL FOOD STORES:	
GROCERY WAREHOUSE AND BAKERY	*1955 West North Avenue, Melrose Park, Illinois*
PERISHABLES WAREHOUSE AND OFFICE	*3617 So. Ashland Avenue, Chicago 9, Illinois*
HOME SERVICE ROUTES:	
HEADQUARTERS OFFICE AND PLANT	*Jewel Park, Barrington, Illinois*

Distribution Centers

Anaheim, Calif.
Stockton, Calif.
Cincinnati, Ohio
Barrington, Ill.
Baltimore, Md.
New Castle, Pa.
Dearborn, Mich.
Binghamton, N.Y.

Other Branch-Office Locations

Denver, Colo.
Jacksonville, Fla.
Atlanta, Ga.
Wichita, Kan.
Escanaba, Mich.
St. Louis, Mo.
Kansas City, Mo.
Omaha, Nebr.
Charlotte, N. C.
Tulsa, Okla.
Nashville, Tenn.
Knoxville, Tenn.
Houston, Texas
Salt Lake City, Utah
La Crosse, Wisc.

EISNER FOOD STORES	
OFFICE AND WAREHOUSE	*301 East Wilbur Heights Road, Champaign, Illinois*
IMPORTING	*99 Wall Street, New York 5, N.Y.*

TRANSFER AGENT
Manufacturers Trust Company, 55 Broad Street, New York 15, N.Y.

REGISTRAR
Bankers Trust Company, 16 Wall Street, New York 15, N.Y.

STOCK LISTING
New York Stock Exchange

1959 Annual Report, Jewel Tea Co., Inc., Melrose Park, Ill.